

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 INT-08 AGR-20 FEA-02 /167 R

DRAFTED BY ARA/CEN: MWCOTTER

APPROVED BY ARA/CEN: LPEZZULLO

EB/IFD/OIA:BBROOKENS

L/ARA:MGKOZAK

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FM SECSTATE WASHDC

TO AMEMBASSY TEGUCIGALPA PRIORITY

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E.O. 11652:N.A.

TAGS:EIND, EAGR, HO

SUBJECT:DECREE 103 - LUMBER

REF: TEGUCIGALPA 0977

SUMMARY: J. JOHNSTON OF LAW FIRM OF BREED, ABBOTT, AND MORGAN, REPRESENTING VIKING OIL CO., CONCERNED OVER RECENT ACTIONS TAKEN BY COHDEFOR WITH REGARD TO SICRE OPERATION. MR. SAM ROBINSON HAS COMPLAINED THAT COHDEFOR UNWILLING TO PAY TO COMPANIES SOME SHARE OF 20 PERCENT WITHHOLDING . ROBINSON ALSO PASSED ALONG RUMOR THAT COHDEFOR TO SELL LUMBER TO CUBA. END SUMMARY.

1. MR. JOHNSTON, WHO CALLED CEN ON MARCH 11, WAS CONCERNED BECAUSE TWO RECENT ACTIONS INDICATE TO HIM "THAT COHDEFOR IS AIMING TOWARD EXPROPRIATION OF SICRE AND MARACA" HE SAID THAT ONE ACTION REQUIRES SICRE TO SELL THE THREE MILLION BOARD FEET OF LUMBER IT HAS ON HAND TO COHDEFOR FOR \$125 PER THOUSAND BOARD FEET. HE SAID THIS SUM DOES NOT

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COVER COSTS AND DISTURBS HIM BECAUSE HE UNDERSTANDS

COHDEFOR WILL EXPORT THE LUMBER FOR \$175 PER THOUSAND BOARD FEET. HE SAID HE UNDERSTANDS SICRE MUST ALSO CONTINUE TO PAY EXPORT TAXES. WHEN PRESSED ON THIS POINT, JOHNSTON ADMITTED BOTH PIECES OF INFORMATION SOUND UNLIKELY AND SAID HE IS PLANNING TO VISIT HONDURAS WITH VIKING PRESIDENT MICHAEL WEATHERLY PRECISELY TO LOOK INTO THIS QUESTION.

2. JOHNSTON ALSO COMPLAINED THAT THE CUTTING TAX LEVIED AGAINST SICRE HAS BEEN RAISED TO "\$11 PER THOUSAND", WHICH LEADS HIM AGAIN TO WORRY ABOUT COHDEFOR'S ULTIMATE INTENTIONS. JOHNSTON SAID HE FEELS THE TIME MAY HAVE ARRIVED FOR HIM TO RAISE CLEARLY WITH THE GOH THE PROBLEMS RAISED BY POSSIBLE EXPROPRIATION/NATIONALIZATION OF VIKING INTERESTS IN HONDURAS. HE ADDED THAT HE PLANS TO RAISE THE SUBJECT WITH REYES AND POSSIBLY WITH OTHER GOH OFFICIALS DURING HIS TRIP BUT WILL DO SO IN A "DIPLOMATIC AND NON-ANTAGONISTIC MANNER".

3. JOHNSTON SAID HE WILL CALL ECOM OFFICER UPON HIS ARRIVAL IN HONDURAS, PROBABLY THE AFTERNOON OF MARCH 12, AND HOPES TO MEET WITH EMBOFFS ON MARCH 13.

4. SAM ROBINSON OF ROBINSON LUMBER ALSO CALLED ON MARCH 11. ROBINSON SAID HIS COMPANY IS NEARING THE POINT OF BEING IRREPARABLY HARMED AND THAT IT CAN ONLY CONTINUE TO OPERATE FOR TEN MORE DAYS UNLESS COHDEFOR RELEASES SOME OF THE MONEY IT "OWES TO US". ROBINSON CLAIMED THAT HE, CARIBBEAN LUMBER, AND OTHERS HAVE ALL FILED COST INFORMATION WITH COHDEFOR AND HAVE RECEIVED NO REPLY. HE SAID DATA WAS SUBMITTED AROUND MARCH 1. ROBINSON SAID COHDEFOR OWES HIS COMPANY SOMETHING IN THE NEIGHBORHOOD OF 250,000 LEMPIRAS AND HE WILL NOT BE ABLE TO PAY YARD LABOR UNLESS HE RECEIVES SOME OF THAT MONEY. IN AN ASIDE, ROBINSON COMMENTED THAT COHDEFOR WITHHOLDS 30 PERCENT OF RECEIPTS FOR LUMBER SOLD TO EUROPE.

5. ROBINSON ASKED IF DEPTOFF KNEW HONDURAS PURCHASED SUGAR FROM CUBA LAST FALL. DEPTOFF REPLIED AFFIRMATIVELY. ROBINSON SAID HE HAD INFORMATION THAT HONDURAS WAS PREPARING TO SELL LUMBER TO CUBA. COHDEFOR HAS 8 LIMITED OFFICIAL USE

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MILLION BOARD FEET OF LUMBER, "OF A SIZE WHICH CAN BE SOLD ONLY TO CUBA", IN THE YARD OF JOSE GARABANA AND THAT THIS LUMBER WOULD GO TO CUBA IN PARTIAL PAYMENT FOR THE SUGAR. HE SAID REYES HIMSELF TOLD AN UNIDENTIFIED US LUMBER INVESTOR OF HIS INTENTION TO SELL TO CUBA.

6. ROBINSON ALSO TOLD DEPTOFF THAT AN UNNAMED MINING INVESTOR HAD CALLED ON "AMBASSADOR SANCHEZ LAST TUESDAY"

TO DISCUSS MINING SITUATION. ACCORDING TO ROBINSON THE MINER HAD SOUGHT A GOH PERMIT TO MINE GOLD AND WAS SHOWN A DECREE WHICH WOULD REQUIRE HIM TO PAY 20 PERCENT OF PROCEEDS TO THE GOH, MUCH IN THE MANNER OF THE LUMBER INDUSTRY.

7. FROM JOHNSTON'S COMMENTS, IT APPEARS THAT THE CRUCIAL

POINT FOR VIKING MAY BE CLOSE AT HAND. EMBASSY WILL REMEMBER VIKING SET END OF MARCH DEADLINE FOR DECIDING TO CONTINUE OR ABANDON OPERATIONS (STATE 029640) AND IS PROBABLY BEGINNING TO CONSIDER SERIOUSLY ALTERNATIVE COURSES OF ACTION. COHDEFOR ACTIONS OUTLINED BY JOHNSTON, IF AS STATED, COME AT A VERY BAD TIME. HOPEFULLY COHDEFOR WILL AGREE TO THE LIST OF PARTICULARS MENTIONED REFTEL AND THIS WILL ALLEVIATE SOME CONCERNS ON THE PART OF VIKING.

8. DEPARTMENT WOULD APPRECIATE EMBASSY COMMENT ON ROBINSON CLAIMS, ESPECIALLY RUMOR THAT COHDEFOR IS PLANNING TO SELL LUMBER TO CUBA.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LUMBER, EXPORTS, SALES, MINING, NATIONALIZATION, GOLD, CUSTOMS DUTIES, DATA, PROCUREMENT, SUGAR, MEETINGS, LICENSES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE048582  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** MWCOTTER  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740352/aaaabwpxp.tel  
**Line Count:** 138  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** TEGUCIGALPA 0977  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17 SEP 2002 by boyleja>; APPROVED <18-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECREE 103 - LUMBER  
**TAGS:** EIND, EAGR, HO, CU, VIKING OIL COMPANY, COHDEFOR  
**To:** TEGUCIGALPA  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005